



TAXES



Tax capture districts and their effects on counties


September 2015



Tax capture districts and their effects on counties

DISCUSSION ITINERARY

- What's the big deal?
 - Tax capture primer
 - Statewide overview
- Effects of implementation
- Lost in translation?
 - The sting of 40 Years



The many masks of tax capture

BRA: Brownfield Redevelopment Authority
CIA: Corridor Improvement Authority
DDA: Downtown Development Authority
HNA: Historic Neighborhood Authority
LDFA: Local Development Finance Authority
NIA: Neighborhood Improvement Authority
TIFA: Tax Increment Finance Authority
WTIF: Waterfront Tax Increment Finance Authority



Counties' involvement in tax capture districts

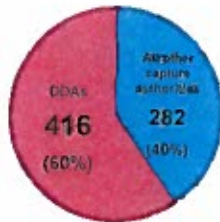
- County board dutifully sets millage rates for collection of property tax necessary to provide established level of service.
- A local municipality claims an unsuspecting (and innocent) portion of property tax resource for "capture."
- County left with diminished resources to provide vital and voter-approved services ...
- Prior to 1994: No opt-out
- Post-1994: Opt-out available

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Tax capture in action

There are
698
functioning tax
capture
districts across
Michigan

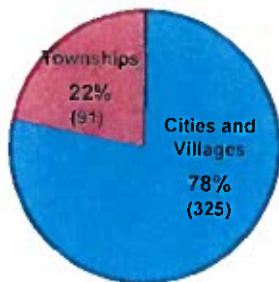


SOURCE: Michigan Association of Counties

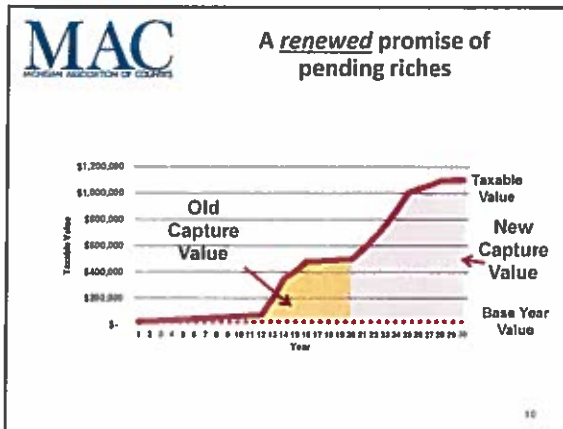
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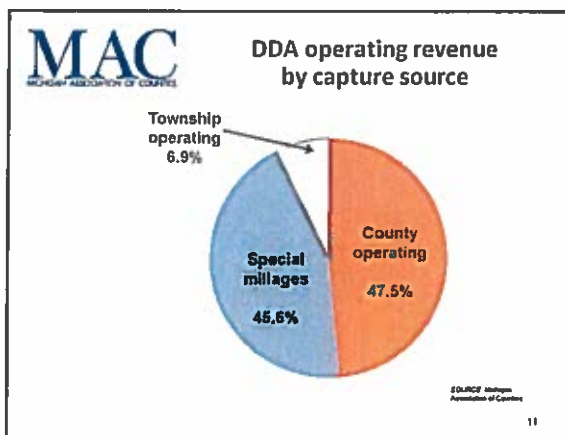


DDAs by municipal type



SOURCE: Michigan Association of Counties





MAC
MICHIGAN ASSOCIATION OF COUNTIES

Facts

Law:

"The authority shall expend the tax increment revenues received for the development program only pursuant to the tax increment financing plan. Surplus funds shall revert proportionately to the respective taxing bodies."

Downtown Development Authority Act
Act 197 of 1973
MCL 125.1663(2)

Reality:

"The Vevay Township board has met six times in the last five years, but has collected more than \$277,000 in property taxes. Township Supervisor Ronald Weesles said the 16-year-old DDA is in a 'wait-and-plan' mode."

"Return on your investment? How your tax dollars pay for economic development"
Lansing State Journal
(Dec. 16, 2008)

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DDA expenditures and surplus

Municipality	County	Fund Balance	
		Amount	Percent
Mendon DDA	St. Joseph	\$ 978,736	275%
Sault Ste. Marie DDA	Chippewa	\$ 895,728	312%
Westland DDA	Wayne	\$ 1,992,910	342%
DeWitt DDA	Clinton	\$ 468,290	468%
Coldwater DDA	Branch	\$ 720,296	756%
Clam Lake Township DDA	Washtenaw	\$ 427,780	1,061%
West Branch Township DDA	Ogemaw	\$ 462,737	1,252%
Mattawan DDA	Van Buren	\$ 589,175	3,081%
Vevay Township DDA	Ingham	\$ 544,458	3,498%
Bagley Township DDA	Otsego	\$ 352,982	25,213%

SOURCE: 2012 Comprehensive Annual Financial Report



Voted millage captures

Tax capture districts siphon funds from **16** voter-approved millage initiatives across Ingham County

- Ingham County 9-1-1 Dispatch Center
- Capital Region International Airport
- Ingham County Juvenile Justice
- Capital Area Trans. Authority (CATA)
- Ingham County Potter Park Zoo
- Ingham County Farmland and Open Space Preservation
- Ingham County Indigent Veterans
- Deht Township Fire Equipment Training Apparatus
- Deht Township Fire and EMS Protection
- Deht Township Police Protection
- Leslie Fire Protection
- Meridian Township CATA
- Meridian Township Fire Protection
- Meridian Township Land Preservation
- Meridian Township Local Roads
- Meridian Township Parks and Recreation
- Meridian Township Pathways
- Meridian Township Police Protection

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The Detroit News

Taxation by misrepresentation Wayne communities should be blocked from siphoning zoo tax revenue to fund local projects

"At the very least, the communities should be required to tell their residents they've come up with a means of capturing their tax dollars without their specific approval, and the tax bills should reflect how much money is being hijacked."

The Detroit News, Jan. 22, 2013

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Mock tax bill

Hampton Inn

1991 Taxable Value: \$ 56,900

2013 Taxable Value: \$ 1,247,900

Millage Category	Millage Rate	Amount	DDA Capture	Remainder
County Operating	6.6100	\$8,249	\$ 7,873	\$ 376
Transportation Auth.	0.8620	\$1,076	\$ 1,027	\$ 49
Medical Care Facility	0.7000	\$874	\$ 834	\$ 40
Commission on Aging	0.7500	\$936	\$ 893	\$ 43
Parks and Recreation	0.3500	\$437	\$ 417	\$ 20
Township Operating*	1.0000	\$1,248	\$ 1,191	\$ 57
Township Fire*	2.1000	\$2,621	\$ 2,501	\$ 119
TOTAL PROPERTY TAX DUE:		\$ 15,441	\$ 14,736	\$ 704**

** Taxes does increase due to rounding

*Township operating and fire millage captures are returned to Township through service agreements

Lost in translation? DDA purpose

Law:

"When the governing body of a municipality determines that it is necessary for the best interests of the public to halt property value deterioration and increase property tax valuation where possible in its business district, to eliminate the causes of that deterioration, and to promote economic growth, the governing body may, by resolution, declare its intention to create and provide for the operation of an authority."

Downtown Development Authority Act
Act 197 of 1975
MCL 125.1623(1)

Reality:

New City Hall (Cities of Portland and Westland)
 New Police Station and Swimming Pool Repair (City of Leslie)
 New Ice Skating Rink (City of South Haven)
 Park Bathhouse Roof Repair (Melrose Township)

A trifecta of truth

- "We extended our DDA TIF 20 years to fund a new city hall because the general fund could not support the cost."
- "We bonded city hall construction to assure tax capture would not be rescinded."
- "We followed the letter of the law notifying taxing jurisdictions. I did not go out of my way to make sure they knew about the city's intentions."

Fusion Planning: Creative Asset Management and Progressive Economic Development
 Willena Wild, mayor, city of Westland
 MAP Planning Michigan Annual Conference, Oct. 4, 2013



Ideas for legislative reform

- Require all TIF plans created prior to 1994 to expire within one year of enactment of reforms, while allowing them to reconstitute with county ability to opt in or out.

Note: If they have outstanding bond obligations, then they must use their own assessments, returns on investment, and subsequently the captured taxes of the entity that created them.



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Ideas for legislative reform (cont.)

- Return to original intent of the law and limit tax capture districts to those areas seeking to revitalize an existing, urban downtown area. Economic development will happen naturally on its own in cheaper rural areas of the state.



- Learn from the brownfield statute and limit the scope and duration of tax captures for specific, well-defined purposes.

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Ideas for legislative reform (cont.)

- Reserve a seat at the table for all "investors"
- Require the resetting of the baseline for all tax capture districts after 10 years, unless all taxing jurisdictions at the time the district was created specifically agree otherwise.
- Discontinue collection of special millages
- Enforce automatic return of surplus funds
- Require modified tax billing



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